



STATE OF INDIANA

Mitchell E. Daniels, Jr.
Governor

GOVERNMENT EFFICIENCY & FINANCIAL PLANNING

Office of Management & Budget
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OMB Director

MEMORANDUM

DATE: April 3, 2008

TO: Executive Agencies, Departments and Instrumentalities

FROM: Cris Johnston

CC: Ryan Kitchell, Chris Ruhl, Earl Goode, Betsy Burdick

SUBJECT: Performance Management and Performance-Informed Budgeting

In 2005 Governor Daniels charged the Government Efficiency and Financial Planning (GEFP) division within the Office of Management and Budget (OMB) with creating a performance measurement system. This has truly been a build-from-the-ground-up effort as there was neither a statewide structure nor history in performance measurement when the initiative commenced. Through this memorandum, GEFP announces the next step in its evolution. Metrics will now be categorized according to the hierarchy illustrated by Exhibit A (page 3).

Governor's Performance Dashboard

The first component will be the migration to a true Governor's Dashboard that is more visible, is strongly linked to your agency's core mission, and that communicates performance results to a range of audiences. The Dashboard will be a smaller collection of key performance indicators that provide a clear definition of success for your agency or department and capture your priorities in achieving that success.

After the March 31 reporting date, the Governor's Dashboard will report up to three key performance indicators for each agency that capture and communicate well mission critical success. Today, some agencies have as few as one metric and others have over twenty. Please use this reporting period (1st calendar quarter-2008) to review with your management team those measures that are currently reported. Some of these quarterly measures could adequately serve as your key performance indicators. On the other hand, you may wish to develop indicators that reflect a new strategic direction. The remaining measures currently being reported may be more programmatic or operational. They should not necessarily be discarded as they could serve in

other elements of the statewide performance measurement system discussed below. Your GEFP contact will work with you to identify and collectively agree on these key performance indicators.

Program Measures and Budget Integration

The second band of Exhibit A represents program measures. As indicated by the chart, there will be more metrics and they will reflect the performance of specific program activities. The results of these measures should naturally influence the key performance indicators identified for the Governor's Dashboard described above as agency programs are the tools through which your mission is executed.

In 2005 and 2006 the Governor and legislature directed OMB to review the size, scope, functions, and budget of executive agencies and departments. OMB developed the PROBE (Program Results: An Outcome Based Evaluation) to conduct the review. The findings of the PROBE revealed over half of the state programs examined did not have measures that sufficiently reported on the performance of the program. Following the publication of the PROBE report, agencies were requested to develop appropriate program measures. Many agencies have proposed program measures. GEFP, in conjunction with your budget analyst, will work with your staff to refine and finalize those measures. Still, other agencies have proposed no measures and will need to develop them.

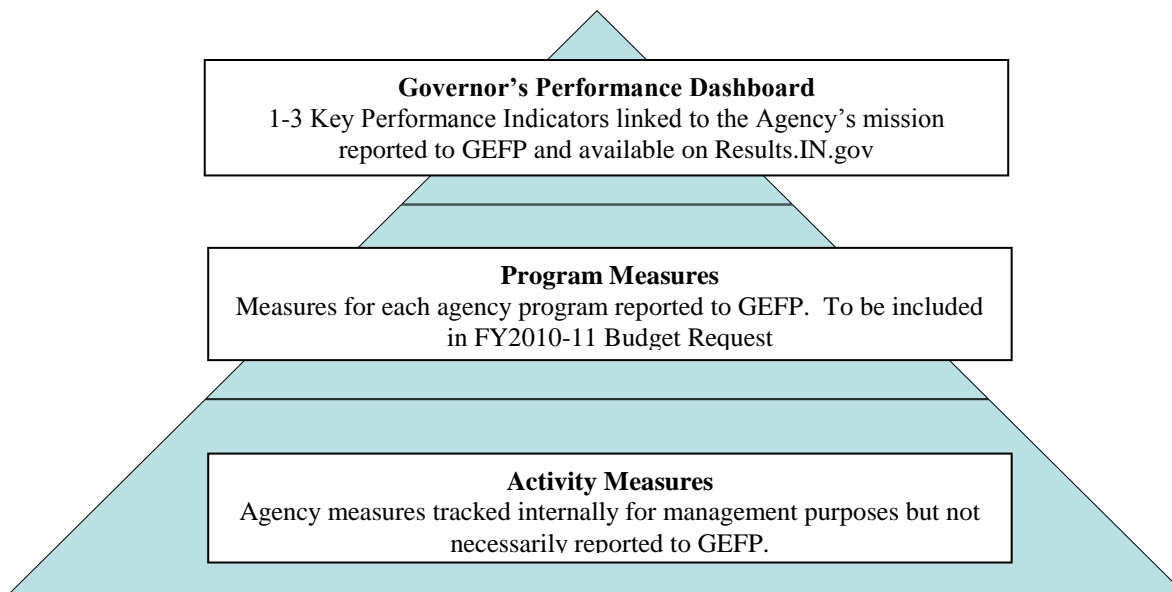
The foundation of the PROBE process was the budgetary fund center. Each program must have at least one measure and is limited to three. Depending on the program, metrics could measure customer service and efficiency in addition to program effectiveness and outcomes. All program measures are subject to GEFP and State Budget Agency approval.

We ask that you designate a member of your management team to serve as our contact for this part of the project. This officer should be sufficiently senior in your organization and have the skills and connectivity to you to instill in the agency and its program managers the need for year over year performance improvement and ensure sufficient attention to this initiative. Identification and agreement of program measures will be required in the budget development process and will be critical in the determination of budget priorities particularly in light of the expected challenges in allocating limited state resources indicated by the latest revenue forecasts. Incorporating these program measures in your FY2010-11 agency budget request will be outlined in future budget instructions. Failure to participate will be reflected in current year budget allotments.

Activity Measures

Internal measures that may not be considered key performance indicators or program measures are still encouraged. These will most likely be activity based and are still useful in everyday management of the agency or department. However, these measures will not be expected to be reported to GEFP. Should you have the need, GEFP can assist in the organizing, collecting and reporting of such measures.

EXHIBIT A



Each Agency's GEFP liaison will be in contact to begin discussions. Important deadlines:

Governor's Performance Dashboard/Key Performance Indicators

- **April 18:** Deadline to submit quarterly measures under current system and proposed key performance indicators for Governor's Performance Dashboard
- **May 2:** Key performance indicator approval/denial communication from GEFP

Program Measures

- **June 30:** Deadline for agencies to submit proposed program metrics.
- **Prior to budget submission:** Final GEFP/SBA approval/denial